

**SOUTH CAROLINA
HOUSE OF REPRESENTATIVES
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2017



Independent Accountant's Report on Applying Agreed-Upon Procedures

September 25, 2018

Mr. Charles F. Reid, Clerk of the House
and
Members of the South Carolina House of Representatives
Columbia, South Carolina 29201

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina House of Representatives (the House), on the systems, processes and behaviors related to financial activity of the House for the fiscal year ended June 30, 2017. The House's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the House. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the House has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

This report is intended solely for the information and use of the management of the House and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor
Agreed - Upon Procedures Related to the South Carolina House of Representatives (A05)**

Cash Receipts/Revenues

1. Randomly select ten cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
2. Haphazardly select three cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

3. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over \$600,000 and 10% for the General Fund.
4. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by House procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by the House are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the House, properly coded to the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, State travel regulations, etc.
 - Clerical accuracy / confirm proper sales/use tax.
5. Haphazardly select fifteen non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Procurement Card Transactions

6. Haphazardly select five purchasing card transactions from the Comptroller General's listing of purchasing card transactions for Fiscal Year 2017 to determine:
 - The cardholder is an authorized user.
 - The purchase is authorized based on the cardholder's job title/position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

We found no exceptions as a result of the procedures.

Payroll

7. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$600,000 and 10% for the General Fund.
8. Haphazardly select five salaried employees, five hourly employees, and fifteen representatives and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the House.
- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the House.
- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

For Representatives:

- Agree taxable subsistence pay to appropriate rate and Representative's period session dates and confirm that the Representative received \$1,000 in-district expense for one haphazardly selected month.
- Confirm that the Representative (if not retired from the General Assembly Retirement System) was paid \$10,400 during the fiscal year.

9. Haphazardly select three salaried employees and five hourly employees hired during the fiscal year to determine if they were added to the payroll in accordance with the House's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
10. Haphazardly select four salaried employees and five hourly employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the House's policies and procedures, that the employee's last pay check was properly calculated, and that the employee's leave payout was properly calculated in accordance with applicable State law.
11. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes greater than 10%.

Finding

During our inspection of terminated employees, we observed three hourly employees who were terminated and not receiving paychecks. However, they were not removed from the House payroll system in a timely manner.

Management's Response

We terminate the employee as soon as we are aware of the departure. I have contacted our IT department to create a program that will assist us when an employee is not clocking in. It was noted in the file with their correct termination date.

Journal Entries and Transfers

12. Haphazardly select three journal entries and transfers for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Appropriation Act

13. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
14. Confirm compliance with the selected agreed-upon House-specific State provisos by inquiring with management and observing supporting documentation, where applicable.

Finding

During our inspection, we observed one instance in which State funds were used to pay for a first-class airline ticket, in violation of Proviso 117.20.N.

Management's Response

We are working to ensure our travelers use the most economical means of travel. The CG's regulations for air travel states '...travel by commercial airlines coach or tourist class, except where exigencies require otherwise.' We are working diligently with the airlines to ensure none of our travelers for the House travel first class again.

Reporting Packages

15. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
16. In addition to the procedure above, we will perform the following:
 - Capital Assets Reporting Package

Determine if responses are reasonable/accurate based on inspection of House provided supporting documentation and agree amounts reported on the 'Non-SCEIS Agencies Only – Capital Assets Summary Report' to the House's capital assets worksheet. Additionally, haphazardly select four capital asset acquisitions to confirm they were properly capitalized. Also, inspect the capital asset retirement to confirm it was properly removed from the House's books and that the disposal was properly approved.
 - Operating Leases Reporting Package

Determine if amounts agree to the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Reporting Operating Lease Expense with Vendor report and/or House prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Five haphazardly selected contingent rental payments; (2) One haphazardly selected payment for each vendor included in the remaining rental payment classification (Other Adjustments); and (3) All future minimum lease payments are properly reported.

Reporting Packages (Continued)

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or House prepared records.

We found no exceptions as a result of the procedures.

Payroll Liabilities Reporting

17. Determine if reported leave amounts agree to House prepared reports/spreadsheets (agency is not on SCEIS leave module).

We found no exceptions as a result of the procedures.